

RatingsDirect®

Summary:

Downtown Smyrna Development Authority, Georgia Smyrna; General Obligation; General Obligation Equivalent Security

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Credit Profile

Downtown Smyrna Dev Auth, Georgia

Smyrna, Georgia

Downtown Smyrna Dev Auth (Smyrna)

<i>Long Term Rating</i>	AAA/Stable	Upgraded
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Downtown Smyrna Dev Auth (Smyrna) econ dev rev bnds

<i>Long Term Rating</i>	AAA/Stable	Upgraded
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Downtown Smyrna Dev Auth rev rfdg bnd

<i>Unenhanced Rating</i>	AAA(SPUR)/Stable	Upgraded
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Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its long-term rating and underlying rating (SPUR) to 'AAA' from 'AA+' on the Downtown Smyrna Development Authority, Ga.'s general obligation (GO) debt, issued for Smyrna based on the city's continued economic expansion as well as the application of our local GO criteria released Sept. 12, 2013. The outlook is stable.

The bonds are a limited obligation of the authority, secured by rental payments made by the city under an intergovernmental contract. Under the contract, the city has an absolute and unconditional obligation to make rental payments sufficient to cover debt service on the bonds so long as the bonds remain outstanding. Consequently, we continue to rate this issue as equivalent to a GO. The city will levy an annual ad valorem tax on all taxable property within its corporate city limits within a three-mill limit authorized by state law and a 15-mill limit prescribed by the city's charter. Officials used series 2010 bond proceeds to finance the acquisition, demolition, and redevelopment of an existing apartment complex to promote the site's development.

The rating reflects our assessment of the following factors for the city:

- We consider the city's economy to be strong. The city's projected per capita effective buying income is at 119% of the U.S. level and per capita market value is at \$96,379. Smyrna is 10 miles northwest of Atlanta in Cobb County. The city, which covers a land area of approximately 12 square miles, continues to display healthy population growth. Population has grown by a steady but manageable pace since 1990, increasing by nearly 40% during the past two decades to 51,271. The city continues to benefit from its participation in the Atlanta metropolitan statistical

area with continued residential and commercial development. Officials anticipate that construction will begin for nearly 700 single-family homes in 2014 and for more than 2,000 luxury apartments tied to mixed-use development in 2015. Officials also report that major manufacturers are expanding and that IBM has solidified its role as a major employer in the city and with 150 new employees in 2012, bringing the total to almost 800. Management also anticipates that the remaining 50,000 square feet of a shopping center will be completed by 2015. There is no concentration among the city's top 10 taxpayers. The county unemployment rate for calendar 2012 was 8.1%, but county unemployment averaged 6.1% in December 2013.

- In our opinion, the city's budgetary flexibility remains very strong, with a fiscal 2013 available fund balance of \$10.9 million, or nearly 29% of operating expenditures after consideration of certain routine expenditure and revenue adjustments that normally occur as transfers. Estimated results for fiscal 2014 indicate a projected available general fund balance of nearly \$14 million, or about 35% of expenditures after consideration of similar adjustments.
- The city's budgetary performance remains strong, in our view, with surpluses of 3.3% for the general fund and 11% across total governmental funds after consideration of certain routine expenditure and revenue adjustments that normally occur as transfers in fiscal 2013. For fiscal 2014, management is estimating operating surpluses of 4.3% and 9.2%, in the general fund and across total governmental funds, respectively. Officials are attributing the surpluses to better-than-budgeted revenue -- namely from the recently established state title ad valorem tax, a tax on motor vehicles initiated March 1, 2013 that exceeded its projected yearly revenue in just its first six months of existence.
- Supporting the city's finances is liquidity we consider very strong, with total government available cash at 51% of total governmental fund expenditures and 554% of debt service. We believe the city has strong access to external liquidity, as demonstrated by the city's historical issuance of GO debt.
- We view the city's management as strong with good financial practices. In terms of revenue and expenditure assumptions, management prepares its budgets based on revenue and expenditure historical trends. Officials monitor the budget monthly and make adjustments as needed. Management lacks a debt management policy but maintains a formal general fund balance policy. The city has a five-year capital improvement plan which officials review annually.
- The city's debt and contingent liability profile is adequate, in our opinion, with total governmental fund debt service at 9.3% of total governmental fund expenditures and net direct debt at 93.5% of total governmental fund revenue. The overall net debt burden is 1.3% of market value. Amortization of principal is average, with 55% of debt to be repaid in the next 10 fiscal years. We anticipate that the debt profile will remain largely unchanged during the next two years, as management has no plans to issue additional debt.
- Smyrna employees participate in the city's 457 retirement plan, a single-employer defined contribution plan established by the city and administered by The Hartford Insurance Co. Employees are not required to contribute to the plan and the city council may amend contribution amounts at its discretion. The city's retirement plan was 79.4% funded as of Jan. 1, 2013, which is the most recent actuarial valuation date. Officials have historically contributed an amount equal to 100% of the plan's annual required contribution, which equated to slightly more than \$3 million in fiscal 2013. Smyrna is handling the cost of the other postemployment benefits (OPEB) primarily on a pay-as-you-go basis, but the city's OPEB was roughly 15% funded as of Jan. 1, 2013. The city's portion of health care funding costs for retired employees was \$471,000, and its unfunded actuarial liability was \$5.3 million, or less than 1% of market value. The city's combined pension and OPEB contribution for fiscal 2013 was roughly \$3.5 million, or 5.7% of total governmental expenditures.
- We consider the Institutional Framework score for Georgia cities very strong.

Outlook

The stable outlook reflects our anticipation that the city will maintain its very strong financial profile, as indicated by its very strong liquidity and budgetary flexibility. Given the above, we do not anticipate changing the rating during our two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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